

**HOSPITAL SERVICE DISTRICT #2
OF BEAUREGARD PARISH
DeRidder, Louisiana**

**Financial Statements and
Supplementary Information
Years Ended October 31, 2014 and 2013**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners
Hospital Service District No. 2
of Beauregard Parish
DeRidder, Louisiana

Report on the Financial Statements

I have audited the accompanying statements of net position of Hospital Service District No. 2 of Beauregard Parish, a component unit of Beauregard Parish Police Jury, as of October 31, 2014 and 2013, and the related statements of revenue and expenses, changes in net position and statements of cash flows for the years then ended, and the related notes to the financial statements, which collectively comprise Hospital Service District No. 2 of Beauregard Parish's basic financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audits. I conducted my audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Hospital Service District No. 2 of Beauregard Parish, as of October 31, 2014 and 2013, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 6 be presented to supplement basic financial statements. Such information, although not a basic part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, I have also issued a report dated April 27, 2015, on my consideration of Hospital Service District No. 2 of Beauregard Parish's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hospital Service District No. 2 of Beauregard Parish's internal control over financial reporting and compliance.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
April 27, 2015

**HOSPITAL SERVICE DISTRICT #2
OF THE PARISH OF BEAUREGARD, STATE OF LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF OCTOBER 31, 2014**

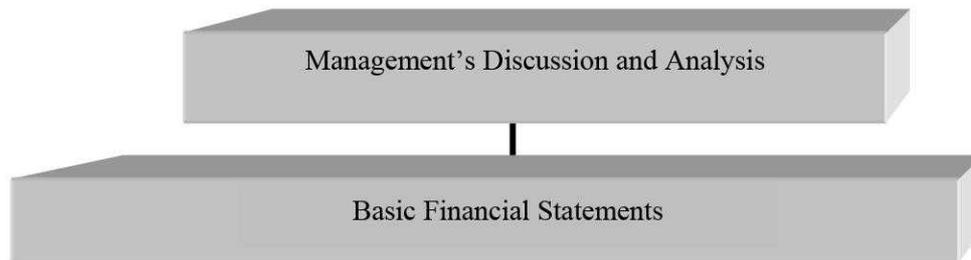
The Management’s Discussion and Analysis of the Hospital Service District #2, of The Parish of Beauregard, State of Louisiana (the District) financial performance presents a narrative overview and analysis of the District’s financial activities for the year ended October 31, 2014. This document focuses on the current year’s activities, resulting changes, and currently known facts in comparison with the prior year’s information. Please read this document in conjunction with the additional information contained in the financial statements.

FINANCIAL HIGHLIGHTS

- ★ The District’s assets exceeded its liabilities at the close of fiscal year 2014 by \$38,259,655 which represents a 3.9% increase from last fiscal year. Of this amount, \$23,724,723 (unrestricted net position) may be used to meet the District’s ongoing obligations to its users.
- ★ The District’s net patient revenue increased \$887,955 (or 2.4%); other revenues increased \$896,251 (or 90.0%) and the total operating expenses increased by \$3,143,162 (or 8.7%).

OVERVIEW OF THE FINANCIAL STATEMENTS

The following graphic illustrates the minimum requirements for Special Purpose Governments Engaged in Business-Type Activities established by Governmental Accounting Standards Board Statement 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.



These financial statements consist of two sections - Management’s Discussion and Analysis (this section) and the basic financial statements (including the notes to the financial statements).

**HOSPITAL SERVICE DISTRICT #2
OF THE PARISH OF BEAUREGARD, STATE OF LOUISIANA
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF OCTOBER 31, 2014**

Basic Financial Statements

The basic financial statements present information for the District as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the Statements of Net Position; the Statements of Revenues and Expenses, and Statements of Changes in Net Position; and the Statements of Cash Flows.

The Statements of Net Position (pages 7 - 8) presents the current and long term portions of assets and liabilities separately. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statements of Revenues and Expenses (page 9) presents information showing how the District’s assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, there are transactions included that will not affect cash until future fiscal periods.

The Statements of Changes in Net Position (page 10) presents information showing how the District’s assets changed as a result of current year operations.

The Statements of Cash Flows (pages 11 - 12) presents information showing how the District’s cash changed as a result of current year operations. The cash flow statement is prepared using the direct method and includes the reconciliation of operating income (loss) to net cash provided (used) by operating activities (indirect method) as required by GASB 34.

FINANCIAL ANALYSIS OF THE ENTITY

	2014	2013	2012
Current and other assets	\$26,048,136	\$25,112,924	\$26,334,919
Capital assets	16,871,727	17,234,561	15,137,625
Total assets	42,919,863	42,347,485	41,472,544
Other liabilities	2,323,413	2,795,215	4,838,623
Long-term debt outstanding	2,336,795	2,725,449	2,446,186
Total liabilities	4,660,208	5,520,664	7,284,809
Net position:			
Invested capital assets, net of debt	14,534,932	14,509,112	12,691,439
Unrestricted	23,724,723	22,317,709	21,496,296
Total net position	\$38,259,655	\$36,826,821	\$34,187,735

**HOSPITAL SERVICE DISTRICT #2
OF THE PARISH OF BEAUREGARD, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF OCTOBER 31, 2014**

The change in net position of the District increased by \$1,432,834 from October 31, 2013 to October 31, 2014.

	2014	2013	2012
Operating revenues	\$ 40,235,694	\$38,467,103	\$34,791,989
Operating expenses	39,136,923	35,993,761	34,455,801
Operating income (loss)	1,098,771	2,473,342	336,188
Donations	-0-	-0-	21,260
Non-operating revenues (expenses)	334,063	165,744	247,867
Net increase (decrease) in net position	<u>\$ 1,432,834</u>	<u>\$ 2,639,086</u>	<u>\$ 605,315</u>

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of October 31, 2014, the District had \$16,871,727, net of accumulated depreciation, invested in a broad range of capital assets, including land, buildings, equipment, land improvements, and construction in progress. (See Table below). This amount represents a net decrease (including additions and deductions) of \$362,834 or 2.1%, from the previous year.

	2014	2013	2012
Land	\$ 1,694,145	\$ 1,605,145	\$ 1,572,145
Buildings	22,231,725	21,695,654	19,239,165
Equipment	15,562,988	15,307,825	14,751,998
Construction in Progress	340,216	308,484	957,840
Land Improvements	610,050	558,601	537,465
Less Accumulated Depreciation	<u>(23,567,397)</u>	<u>(22,241,148)</u>	<u>(21,920,988)</u>
Totals	<u>\$ 16,871,727</u>	<u>\$ 17,234,561</u>	<u>\$ 15,137,625</u>

**HOSPITAL SERVICE DISTRICT #2
OF THE PARISH OF BEAUREGARD, STATE OF LOUISIANA
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF OCTOBER 31, 2014**

Capital Assets (Continued)

This year's major capital additions include:

• 109 West Fourth Street (Land, Building, Parking Lot)	\$ 335,000
• 401 South Pine Street (Land, Building, Parking Lot, Renovations)	\$ 222,250
• Ormed Accounting Software	\$ 329,465
• Logiq E9 Ultrasound	\$ 116,768

Additional information on the District's capital assets can be found in note 4 of this report.

Debt

The District had \$1,940,000 in bonds outstanding at year-end, compared to \$2,175,000 last year, a decrease of \$235,000. A summary of this debt is shown in the table below.

Outstanding Debt at Year-end

	2014	2013	2012
Revenue Bonds	\$ - 0 -	\$ 205,000	\$ 400,000
Certificates of Indebtedness	1,940,000	1,970,000	2,000,000
Totals	\$ 1,940,000	\$ 2,175,000	\$ 2,400,000

The District's Series 2004 Revenue bonds are unrated.

Additional information on the District's long-term debt can be found in note 3 of this report.

CONTACTING THE DISTRICT'S MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Darrell Kingham, CPA, VP Finance, Hospital Service District #2 of the Parish of Beauregard, State of Louisiana.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Net Position
As of October 31,

ASSETS	2014	2013
Current Assets:		
Cash and cash equivalents	\$ 11,256,142	\$ 13,546,986
Assets Whose Use Is Limited:		
Cash equivalents:		
By bond indenture for sinking fund	207,780	217,301
Patient accounts receivable, net of estimated uncollectibles of \$40,043,339 for 2014 and \$30,587,199 for 2013	4,760,861	5,217,805
Other receivables (UCC/UPL Funds)	1,587,704	1,734,616
Inventories	1,412,486	1,222,133
Prepaid expenses	368,245	219,707
Estimated third party payor settlements - Medicare/Medicaid	957,196	352,376
Notes receivable - current portion	189,417	186,678
Due from Beauregard Physicians Group	2,489,000	-
Total Current Assets	23,228,831	22,697,602
Noncurrent Assets:		
Assets Whose Use Is Limited:		
Cash equivalents:		
By board for funded depreciation	79,755	6,857
Certificates of deposit:		
By board for funded depreciation	249,505	249,805
Investments	786,330	822,770
Property and equipment, net	16,871,727	17,234,561
Investments - LLC	175,000	163,567
Other	20,163	22,637
Notes receivable - net of current portion	1,508,552	1,149,686
Total Noncurrent Assets	19,691,032	19,649,883
TOTAL ASSETS	\$ 42,919,863	\$ 42,347,485

The accompanying notes are an integral part of the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Net Position (Continued)
As of October 31,

	2014	2013
LIABILITIES AND NET ASSETS		
Current Liabilities:		
Current portion of long-term debt - to be paid		
from Assets Whose Use Is Limited	\$ 220,000	\$ 235,000
Accrued interest payable	3,374	4,227
Unearned rent/services	306,669	404,892
Due to West Louisiana Health Services	2,013,370	2,386,096
Current portion of capital lease payable	156,521	153,654
Total Current Liabilities	2,699,934	3,183,869
Long-Term Debt:		
Capital lease obligation payable, net of current portion	240,274	396,795
Long-term debt, net of current portion	1,720,000	1,940,000
Total Long-Term Debt	1,960,274	2,336,795
Total Liabilities	4,660,208	5,520,664
Net Position:		
Invested in capital assets, net of related debt	14,534,932	14,509,112
Unrestricted	23,724,723	22,317,709
Total Net Position	38,259,655	36,826,821
TOTAL LIABILITIES AND NET POSITION	\$ 42,919,863	\$ 42,347,485

The accompanying notes are an integral part of the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Revenues and Expenses
For the Years Ended October 31,

	2014	2013
REVENUE		
Gross patient service revenue	\$ 171,753,501	\$ 151,257,422
Less: contractual allowances and discounts	(112,180,227)	(98,237,789)
	59,573,274	53,019,633
Less: provision for uncollectible accounts	(21,228,485)	(15,562,799)
Net patient service revenue	38,344,789	37,456,834
Other revenue	1,890,905	1,010,269
TOTAL REVENUE	40,235,694	38,467,103
 EXPENSES		
Nursing expenses	4,641,903	4,332,689
Other professional service expenses	20,411,534	16,394,588
General service expenses	4,840,974	3,404,566
Fiscal and administrative service expenses	6,515,542	8,775,007
Beauregard Physician Group expenses	876,286	1,267,631
Depreciation	1,796,177	1,757,874
Interest expense	54,507	61,406
Total Expenses	39,136,923	35,993,761
INCOME FROM OPERATIONS	1,098,771	2,473,342
 NON-OPERATING REVENUE AND (EXPENSES)		
Interest income	54,133	86,944
Grants and donations	85,403	-
Gain (loss) on disposal of plant and equipment	(20,576)	(13,031)
Gain (loss) on BV & HHA LLC investments	216,074	148,670
Realized gains (losses) investments	-	5,062
Unrealized gains (losses) investments	(971)	(61,901)
Total Non-Operating Revenue and (Expenses)	334,063	165,744
 EXCESS OF REVENUE OVER EXPENSES	\$ 1,432,834	\$ 2,639,086

The accompanying notes are an integral part of the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Changes in Net Position
For The Years Ended October 31,

	2014	2013
NET POSTION - BEGINNING OF YEAR	\$ 36,826,821	\$ 34,187,735
EXCESS (DEFICIT) OF REVENUES OVER EXPENSES	1,432,834	2,639,086
NET POSITION - END OF YEAR	\$ 38,259,655	\$ 36,826,821

The accompanying notes are an integral part of the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Cash Flows
For The Years Ended October 31,

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from patients and users	\$ 40,288,513	\$ 30,664,971
Payments to suppliers	(23,449,631)	(15,430,094)
Payments to employees	(17,243,738)	(15,495,626)
Net Cash Provided (Used) by Operating Activities	(404,856)	(260,749)
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of capital assets	(1,433,393)	(3,854,810)
Proceeds from capital debt	-	626,218
Principal paid on capital debt	(388,654)	(346,955)
Other	85,403	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,736,644)	(3,575,547)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sale and maturity of investments	37,411	5,891,622
Interest received	54,986	89,002
Distributions received from LLC investments	204,641	103,386
Other	(383,005)	(348,983)
Net Cash Provided (Used) by Investing Activities	(85,967)	5,735,027
 Net Increase (Decrease) in Cash and Cash Equivalents	(2,227,467)	1,898,731
 Cash and Cash Equivalents - Beginning of Year	13,771,144	11,872,413
 Cash and Cash Equivalents - End of Year	11,543,677	13,771,144
 Cash and cash equivalents shown on balance sheet as:		
Current assets: Cash and cash equivalents	11,256,142	13,546,986
Restricted assets: Cash and cash equivalents	287,535	224,158
	\$ 11,543,677	\$ 13,771,144

The accompanying notes are an integral part of the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Statements of Cash Flows (Continued)
For The Years Ended October 31,

	2014	2013
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ 1,098,771	\$ 2,473,342
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation and amortization	1,796,177	1,757,874
Change in allowance for uncollectible accounts	8,667,012	(56,648,683)
(Increase) decrease in account receivables	(8,210,068)	55,364,011
(Increase) decrease in other receivables	(2,342,088)	399,466
(Increase) decrease in other current assets	(753,358)	241,273
(Increase) decrease in inventory	(190,353)	(69,999)
Increase (decrease) in payables and other operating liabilities	(470,949)	(3,778,033)
Total Adjustments	(1,503,627)	(2,734,091)
Net Cash Provided by Operating Activities	\$ (404,856)	\$ (260,749)

The accompanying notes are an integral part of the financial statements.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements
October 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles ("GAAP") in the United States of America as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Beauregard Memorial Hospital facilities are owned by the Hospital Service District #2 of Beauregard Parish. It is owned as a nonprofit corporation organized by the Beauregard Parish Police Jury under the provisions of Chapter 10 of Title 46 of the Louisiana revised statutes of 1950 and Act No. 506 of the Louisiana Legislature for the year 1976. The governing authority of the Hospital Service District is a Board of Commissioners appointed to office by the Beauregard Parish Police Jury. Also included in the financials are two limited liability companies. Beauregard Urgent Care Center, LLC and South Beauregard Health Center, LLC. The two LLC's are reported as departments in the accompanying financial statements.

On June 6, 1979, the Board of Commissioners of the Hospital Service District entered into an agreement with the Board of Trustees of Beauregard Memorial Hospital to manage and operate the hospital facilities. Under the terms of this agreement, which will expire in 99 years from the date executed if all the renewal period options are exercised, the Board of Trustees of Beauregard Memorial Hospital would collect all revenues and deposit to the account of the Hospital Service District and pay all necessary expenses incurred during the normal operations of the hospital. The Hospital Service District would then reimburse Beauregard Memorial Hospital for these expenses.

During the year ended October 31, 1984, the Board of Trustees of Beauregard Memorial Hospital elected to change their name to the Board of Trustees of West Louisiana Health Services, Inc. The nonprofit corporation's name was changed to West Louisiana Health Services, Inc.

During the year ended October 31, 2010, the Board of Commissioners of Hospital Service District #2 of Beauregard Parish approved the reimbursement of expenses of the Beauregard Physician Group, an affiliate of West Louisiana Health Services, Inc., as necessary costs related to the operation of the Hospital.

Reporting Entity - As more fully described, the Hospital Service District #2 of Beauregard Parish is governed by a board appointed by the Beauregard Parish Police Jury. Therefore, the Hospital Service District is a component unit of the Beauregard Parish Police Jury.

The hospital has agreements with third-party payors that provide for payments to the hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payors follows.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Basis of Accounting - The District has implemented GASB Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – For State and Local Governments*.

The District uses the accrual basis of accounting. The revenues are recognized when they are earned, and expenses are recognized when incurred.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Hospital’s policy to use restricted resources first, then unrestricted resources as they are needed.

Medicare - Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Inpatient non-acute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The hospital is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicare fiscal intermediary. The hospital’s classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the hospital.

Medicaid - Inpatient acute care services rendered to Medicaid program beneficiaries are paid at prospectively determined rates per patient day. Outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. The hospital is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the hospital and audits thereof by the Medicaid fiscal intermediary.

Revenue from the Medicare and Medicaid programs accounted for approximately 30 percent and 13 percent, respectively, of the Hospital’s net patient revenue for the year ended October 31, 2014. Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

The hospital also has entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payment to the hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Charity Care – The Hospital provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

Inventories – Inventories, excluding pharmaceuticals, are stated at the lower of cost or market. Cost is determined by the first-in, first-out method. Pharmaceutical inventories are stated at current cost.

Property, plant, and equipment - The property, plant, and equipment of the hospital is recorded at cost. Depreciation amounted to \$1,796,177 and \$1,757,874 for the years ended October 31, 2014 and 2013, respectively, and was calculated using the straight-line method over the estimated useful lives of the various assets shown below:

	Method	Life
Buildings	SL	5-40 Years
Equipment	SL	3-20 Years
Land Improvements	SL	5-15 Years

The costs of maintenance and repairs of property and equipment are charged to expense as incurred. Expenditures of \$5,000 or more for additions, improvements, and replacements are capitalized. The cost and related accumulated depreciation of property and equipment retired are removed from the accounts and any resulting gain or loss is recognized.

Capitalization of Interest – ASC 835-20 (Capitalization of Interest) requires that interest expenditures incurred during construction of assets be capitalized. ASC 835-30-11 (Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants) concludes that constructed assets financed with the proceeds of tax-exempt debt should include capitalized interest only to the extent that interest cost exceeds interest earned on related interest-bearing investments acquired with proceeds of the related tax-exempt borrowing. Net interest costs capitalized totaled \$0 and \$0 during the years ended October 31, 2014 and 2013, respectively.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 1 - Organization and Summary of Significant Accounting Policies (Continued)

Cash, Cash Equivalents and Investments - Cash and cash equivalents include all checking accounts, savings accounts, money market funds, certificates of deposit, and certain investments in highly liquid debt instruments with original maturities of three months or less. Certificates of deposit with original maturities of more than three months are presented separately in the accompanying balance sheets. The demand deposits and certificates of deposits are stated at cost, which approximates market. Investments securities are reported at fair value, except as disclosed in note 16.

Investment Income - Interest, dividends, and gains and losses, both realized and unrealized, on investments in securities are included in nonoperating income when earned, except as disclosed in note 16.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Risk Management - The Hospital is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; medical malpractice claims and judgments. Commercial insurance coverage is purchased for claims arising from such matters. The Hospital is self-insured for employee health benefits as discussed in note 15.

Reclassifications - Certain changes may have been made to the presentation of the October 31, 2013 financial statements to conform to the current period presentation.

Note 2 - Assets Whose Use is Limited

The amounts reported as assets whose use is limited by bond indenture for sinking fund are comprised of cash held by the District for debt service related to their required long term debt described in Note 3.

Funded depreciation is so designated by the Board to replace and repair buildings and equipment.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 3 - Bonds Payable

On September 21, 2004, Refunding Bonds, Series 2004 of Hospital Service District #2 of the Parish of Beauregard, State of Louisiana in the amount of \$1,685,000 were issued in order to provide for the payment of outstanding principal and interest of the October 21, 2004 Hospital Revenue Bonds. These Refunding Bonds bear interest at a rate that ranges from 2.55% to 4.75% and are to be retired over a period of 9 years and 7 months by making annual principal payments on April 1 of each year and semi-annual interest payments on April 1 and October 1 of each year. Annual principal and interest payments range from \$178,341 to \$214,738. The Refunding Bonds matured on April 1, 2014. The outstanding principal balance was \$-0- at October 31, 2014 and \$205,000 at October 31, 2013. The Refunding Bonds were retired from the income and revenues derived from the operation of the Hospital.

On October 16, 2012, Certificates of Indebtedness, Series 2012 of Hospital Service District #2 of the Parish of Beauregard, State of Louisiana in the amount of \$2,000,000 were issued for the purpose of constructing, acquiring, and equipping a new intensive care unit addition. These Certificates of Indebtedness bear interest at a rate of 2.11% and are to be retired over a period of 9 years and 7 months by making annual principal payments on April 1 of each year and semi-annual interest payments on April 1 and October 1 of each year. Annual principal and interest payments range from \$49,342 to \$267,796. The Certificates of Indebtedness mature on April 1, 2022. The outstanding principal balance was \$1,940,000 at October 31, 2014 and \$1,970,000 at October 31, 2013. The Certificates of Indebtedness are to be retired from the income and revenues derived from the operation of the Hospital.

Scheduled principal and interest payments of the Certificates of Indebtedness payable are as follows:

Year ending October 31,	Principal	Interest	Total
2015	\$ 220,000	\$ 40,934	\$ 260,934
2016	225,000	36,292	261,292
2017	235,000	31,545	266,545
2018	235,000	26,586	261,586
2019	245,000	21,628	266,628
2020 - 2022	780,000	33,127	813,127
Totals	\$ 1,940,000	\$ 190,112	\$ 2,130,112

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 3 - Bonds Payable (Continued)

The following is a summary of revenue bond payable transactions of the District for the years ending October 31, 2014 and 2013:

	Refunding Bonds	Certificates of Indebtedness, Series 2012	Total
Outstanding at November 1, 2012	\$ 400,000	\$ 2,000,000	\$ 2,400,000
Bond Proceeds	-0-	-0-	-0-
Bonds Retired	<u>195,000</u>	<u>30,000</u>	<u>225,000</u>
Outstanding at November 1, 2013	\$ 205,000	1,970,000	\$ 2,175,000
Bond Proceeds	-0-	-0-	-0-
Bonds Retired	205,000	30,000	235,000
Outstanding at October 31, 2014	<u>\$ -0-</u>	<u>\$ 1,940,000</u>	<u>\$ 1,940,000</u>

Note 4 - Capital Assets

Capital Asset activity for the year ended October 31, 2014, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital Assets, not being depreciated:				
Land	\$ 1,605,145	\$ 89,000	\$ -0-	\$ 1,694,145
Construction in progress	308,484	437,955	(406,223)	340,216
Total capital assets, not being depreciated	<u>1,913,629</u>	<u>526,955</u>	<u>(406,223)</u>	<u>2,034,361</u>
Capital assets, being depreciated:				
Buildings	21,695,654	536,071	-0-	22,231,725
Land Improvements	558,601	51,449	-0-	610,050
Equipment	<u>15,307,825</u>	<u>873,669</u>	<u>(618,506)</u>	<u>15,562,988</u>
Total capital assets, being depreciated	<u>37,562,080</u>	<u>1,461,189</u>	<u>(618,506)</u>	<u>38,404,763</u>
Less accumulated depreciation	<u>(22,241,148)</u>	<u>(1,796,177)</u>	<u>469,928</u>	<u>(23,567,397)</u>
Total capital assets, being depreciated, net of depreciation	<u>15,320,932</u>	<u>(334,988)</u>	<u>(148,578)</u>	<u>14,837,366</u>
Total capital assets, net of depreciation	<u>\$ 17,234,561</u>	<u>\$ 191,967</u>	<u>\$ (554,801)</u>	<u>\$ 16,871,727</u>

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 4 - Capital Assets (Continued)

Capital Asset activity for the year ended October 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital Assets, not being depreciated:				
Land	\$ 1,572,145	\$ 33,000	\$ -0-	\$ 1,605,145
Construction in progress	957,840	1,625,946	(2,275,302)	308,484
Total capital assets, not being depreciated	<u>2,529,985</u>	<u>1,658,946</u>	<u>(2,275,302)</u>	<u>1,913,629</u>
Capital assets, being depreciated:				
Buildings	19,239,165	2,456,489	-0-	21,695,654
Land Improvements	537,465	21,136	-0-	558,601
Equipment	14,751,998	2,005,590	(1,449,763)	15,307,825
Total capital assets, being depreciated	<u>34,528,628</u>	<u>4,483,215</u>	<u>(1,449,763)</u>	<u>37,562,080</u>
Less accumulated depreciation	<u>(21,920,988)</u>	<u>(1,757,874)</u>	<u>1,437,714</u>	<u>(22,241,148)</u>
Total capital assets, being depreciated, net of depreciation	<u>12,607,640</u>	<u>2,725,341</u>	<u>(12,049)</u>	<u>15,320,932</u>
Total capital assets, net of depreciation	<u>\$ 15,137,625</u>	<u>\$ 4,384,287</u>	<u>\$(2,287,351)</u>	<u>\$ 17,234,561</u>

Note 5- Leases

The Hospital has entered into a lease agreement as lessee for financing the acquisition of medical equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of the present value of the future minimum lease payments or the fair value of the assets. The capitalized cost of this asset is \$666,583. The Hospital is depreciating the capital asset over its estimated productive life. The accumulated depreciation on the equipment under this capital lease obligation was \$222,194 at October 31, 2014.

The following is a schedule of the future minimum lease payments under this capital lease, and the present value of the net minimum lease payments at October 31, 2014:

Year Ending October 31,	
2015	\$ 162,539
2016	162,539
2017	<u>81,269</u>
Net minimum lease payments	<u>406,347</u>
Less amount representing interest	<u>9,552</u>
Present value of minimum lease payments	<u>\$ 396,795</u>

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 5- Leases (Continued)

In June 2013, the Hospital Service District entered into an agreement to lease available building space to an independent medical organization. The term of the lease is three years and the future minimum rentals on this non-cancelable lease are as follows:

Year Ending October 31,	
2015	392,892
2016	392,892
2017	163,705
Total minimum lease payments	\$ 949,489

Note 6 - Due to/ from West Louisiana Health Services, Inc.

At October 31, 2014 and 2013, the Hospital Service District had a net payable of \$2,013,370 and \$2,386,096 between itself and West Louisiana Health Services, Inc., respectively. At October 31, 2014, the Hospital Service District had a net receivable of \$2,489,000 from Beauregard Physician Group. These balances arise principally from the timing difference of recording accounts payable and accrued liabilities on the books of West Louisiana Health Services, Inc. and affiliates and the actual payment by the Hospital Service District.

Note 7 - Compensated Absences

Employees of the hospital are entitled to compensated absences. Compensated absences totaling \$809,754 and \$769,922 for the years ended October 31, 2014 and 2013, respectively, are a vested benefit, and are accrued in the financial statements of the operator West Louisiana Health Services, Inc.

Note 8 - Defined Contribution Plan

The Hospital sponsors the Beauregard Memorial Hospital 401(k) Retirement Plan, established under ERISA guidelines, to provide retirement benefits for all of its full-time and part-time employees who meet certain age and service requirements through a defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan, plus investment earnings. The Hospital contributes 5% of eligible participants' compensation. The participant is required to contribute 3% of compensation. The Hospital's contributions for each employee (and plan earnings allocated to the employee's account) are fully vested after six years service. Hospital contributions for, and plan earnings forfeited by, employees who leave employment before six years of service are used to reduce the Hospital's current period contribution requirement. This plan is administered by the MassMutual Financial Group.

The Hospital's total payroll in fiscal year 2014 was \$17,724,373. The Hospital's contributions were calculated using the base salary amount of \$10,097,977. The Hospital's 5% contribution of covered employees, net of forfeitures, amounted to \$504,899. Eligible employees' contributions amounted to \$553,252.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 8 - Defined Contribution Plan (Continued)

The Hospital's total payroll in fiscal year 2013 was \$15,620,638. The Hospital's contributions were calculated using the base salary amount of \$9,154,676. The Hospital's 5% contribution of covered employees, net of forfeitures, amounted to \$457,734. Eligible employees' contributions amounted to \$510,334.

Note 9 - Cash and Investments

Under Louisiana Revised Statutes 39:2955, the Hospital may deposit funds in demand deposit accounts, interest bearing demand deposit accounts, money market accounts, and time certificates of deposit with state banks, organized under Louisiana Law and National Banks having a principal offices in Louisiana. Additionally, Louisiana statues allow the Hospital to invest in United States Treasury obligations, obligations issued or guaranteed by the United States government or federal agencies, and mutual or trust funds register with the Securities and Exchange Commission which have underlying investments consisting solely of and limited to the United States government or its agencies.

At October 31, 2014, the Hospital had cash and cash equivalents (book balances) totaling \$11,543,677 of which \$11,463,922 is in interest-bearing demand deposits and \$79,755 is in money market funds (unrated). At October 31, 2013, the Hospital had cash and cash equivalents (book balances) totaling \$13,771,144 of which \$13,764,287 is in interest-bearing demand deposits and \$6,857 is in money market funds (unrated).

At October 31, 2014, the Hospital had investments totaling \$1,035,835 of which \$249,505 is in certificates of deposit, and \$786,330 is in obligations of the Federal Home Loan Mortgage Corporation. At October 31, 2013, the Hospital had investments totaling \$1,072,575 of which \$249,805 is in certificates of deposit and \$822,770 is in obligations of the Federal Home Loan Mortgage Corporation.

Under state law, these deposits (or the resulting bank balances) must be secured by federal deposit insurance or the pledge of securities. The market value of the pledged securities plus the federal deposit insurance must at all times equal the amount on deposit with the fiscal agent. These securities are held by the pledging financial institution's trust department or agent, in the Hospital's name.

Custodial Credit Risk is the risk that in the event of bank failure, the Hospital's deposits may not be returned. At October 31, 2014, the Hospital had \$11,724,801 in demand deposits and certificates of deposit (bank balances before outstanding checks or deposits in transit). These deposits are secured from risk by \$989,336 of federal deposit insurance and \$16,193,725 of pledged securities held in a custodial bank in the Hospital's name.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 9 - Cash and Investments (Continued)

Interest Rate Risk is the risk that changes in the in interest rate will adversely affect the fair value of the investment. At October 31, 2014, the Hospital had investments in obligations of the Federal Home Loan Mortgage Corporation totaling \$786,330. These investments have maturity dates that range from 19 - 22 years in the future.

Note 10- Board of Commissioners

The Board of Commissioners received no compensation for the fiscal years ending October 31, 2014 and 2013.

Note 11- Hospital Insurance

The Hospital is a member of the Louisiana Patient's Compensation Fund for the purpose of malpractice insurance. Under current Louisiana law, its liability is limited to the statutory maximum of \$500,000 which is covered by a primary \$100,000 with the Louisiana Hospital Association Malpractice and General Liability Trust, and an additional \$400,000 through the State of Louisiana Patients' Compensation Fund. All participating hospitals share proportionately in the expense of the fund.

Note 12 - Allowance for Doubtful Accounts

Accounts and notes receivable are stated at cost less an allowance for doubtful accounts. The allowance account consists of an estimate of uncollectible specifically identified accounts and a general reserve. Management's evaluation of the adequacy of the allowance is based on a continuing review of all accounts and includes a consideration of past user history, any adverse situation that might affect the user's ability to repay, and current economic conditions. Amounts charged-off that are subsequently recovered are recorded as income.

Note 13- Charity Care

The Hospital provides care to patients who qualify under federal guidelines and other policies of the Hospital at fees less than its established rates. The amount of charity care is reduced from the amount of fees for services presented in the statement of activities. The amount of charity care for disclosure purposes should be measured by costs, including direct and indirect costs. Management has calculated the costs associated with providing charity care utilizing the cost to charge ratio obtained from the Medicare cost report data. The amount of costs associated with charity care for the fiscal years ending October 31, 2014 and 2013 were \$4,941,040 and \$4,599,447, respectively.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 14- Concentrations of Credit Risk

The Hospital is located in DeRidder, Louisiana. The hospital grants credits without collateral to its patients; most of them are local residents and are insured under third party payor agreements. The mix of receivables from patients and third party payors was as follows:

	2014		2013	
Medicare	31	%	39	%
Medicaid	25		13	
Other	44		48	
	100	%	100	%

The mix of net patient revenues was as follows:

	2014		2013	
Medicare	30	%	21	%
Medicaid	13		8	
Other	45		58	
Uncompensated care/Upper payment limit reimbursement	12		13	
	100	%	100	%

Note 15- Contingencies

Certain claims, suits, and complaints arising in the ordinary course of operations are pending against the hospital. In the opinion of management, all such matters are of such kind or involve such amounts, as would not have a significant affect on the financial position or results of operations of the hospital if disposed of unfavorably.

The Hospital is self-insured for employee medical benefits. Under this arrangement, the employees contribute a portion of the cost with the hospital paying the difference to a third-party administrator. A portion of the monthly contribution is used to purchase a re-insurance contract that covers individual claims exceeding \$100,000. The Hospital is also insured for when aggregate claims exceed approximately \$3.3 million. The obligation for claims incurred before the financial statement date, but not reported is estimated on an overall basis based on prior loss experience. The obligation is determined based on the present value of the ultimate cost to settle the claims. The accrued liability for incurred, but not reported health insurance benefit claims at October 31, 2014 and 2013 was \$480,000 and \$517,500, respectively, and is reported in the financial statements of the operator West Louisiana Health Services, Inc.

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Notes to Financial Statements (Continued)
October 31, 2014 and 2013

Note 15- Contingencies (Continued)

The following is a summary of changes in aggregate liabilities for claims incurred by the District for the years ending October 31, 2014 and 2013:

Claims outstanding at November 1, 2012	\$ 618,179
Incurred Claims	2,816,491
Payment of Claims	<u>(2,917,170)</u>
Claims outstanding at November 1, 2013	\$ 517,500
Incurred Claims	2,581,132
Payment of Claims	<u>(2,618,632)</u>
Claims outstanding at October 31, 2014	<u><u>\$ 480,000</u></u>

Note 16- Investment – LLC

The Hospital owns 51% of Beauregard-Vernon MRI, L.L.C. The LLC was formed to provide healthcare services, including quality imaging services to the residents of the community. Total assets of the LLC were \$255,342 and \$261,062, total liabilities were \$23,988 and \$27,855, and results of operations were \$105,881 and \$128,108 as of October 31, 2014 and 2013, respectively. The Hospital paid Beauregard-Vernon MRI, L.L.C. a total of \$84,183 and \$66,538 for services for the fiscal years ended October 31, 2014 and 2013, respectively. The investment is accounted for using the equity method. Financial statements are available upon request.

The Hospital owns 33% of Beauregard Memorial Home Health, LLC. The LLC was formed to provide home health services to the residents of the community. The total assets of the LLC were \$1,301,072 and \$935,374, total liabilities were \$27,854 and \$31,926, and results of operations were \$404,773 and \$245,709 as of October 31, 2014 and 2013, respectively. The investment is accounted for using the equity method. Financial statements are available upon request.

Note 17- Related Party Transactions

The Hospital rents multiple clinical buildings and equipment to the Beauregard Physician Group, and affiliate of West Louisiana Health Services, Inc. There are no formal rental agreements in place and the equipment rent received is equal to depreciation expense on such equipment. Payments from the Beauregard Physician Group totaled \$123,030 and \$103,069 for the fiscal years ending October 31, 2014 and 2013, respectively.

Note 18- Subsequent Events

The Hospital evaluated its October 31, 2014 financial statements for subsequent events through April 27, 2015, the date the financial statements were available to be issued. The Hospital is not aware of any subsequent events which would require recognition or disclosure in the financial statements.

SUPPLEMENTARY INFORMATION

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INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTARY INFORMATION

Board of Commissioners
Hospital Service District #2
of Beauregard Parish
DeRidder, Louisiana

I have audited the financial statements of Hospital Service District #2 of Beauregard Parish as of and for the years ended October 31, 2014 and 2013, and my report thereon dated April 27, 2015, which expressed an unqualified opinion on those financial statements, appears on page 1. My audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards general accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
April 27, 2015

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Gross Patient Revenues
For the Years Ended October 31,

	<u>2014</u>	<u>2013</u>
INPATIENT		
Nursing revenue from daily patient services	\$ 13,083,568	\$ 10,976,537
Nursing revenue from labor, delivery and nursery	1,396,971	1,147,358
Nursing revenue from surgery	8,110,590	7,498,708
Nursing revenue from recovery	2,147,420	1,869,028
Emergency rooms	68,674	65,528
Anesthesia	2,221,501	1,681,505
Central supply	3,738,189	3,263,793
Laboratory	8,005,429	7,087,152
Blood bank	445,666	409,035
Electrodiagnosis	1,410,919	1,482,059
EEG	19,530	46,145
Radiology	5,501,318	4,811,237
Nuclear medicine	789,699	983,662
Pharmacy	11,945,090	10,998,693
IV	3,614,715	3,265,678
Physical therapy	283,105	281,500
Respiratory therapy	4,117,675	3,724,996
Ultrasound	355,348	387,416
Cath lab	1,997,755	2,067,046
Total Inpatient	<u>69,253,162</u>	<u>62,047,076</u>
OUTPATIENT		
Nursing revenue	4,793,173	4,134,169
Emergency rooms	20,427,116	18,657,149
Anesthesia	2,250,106	1,972,254
Central supply	5,131,674	4,849,875
Laboratory	19,128,883	15,213,111
Blood bank	175,616	228,811
Electrodiagnosis	1,715,240	2,179,175
EEG	49,490	46,007
Radiology	22,535,746	19,826,863
Nuclear medicine	2,599,901	2,141,381
Pharmacy	9,811,160	9,460,817
IV	1,804,019	1,614,968
Physical therapy	3,788,333	2,501,921
Respiratory therapy	765,663	641,417
Occupational Therapy	542,564	824,566
Ultrasound	1,822,117	1,591,836
Cardiac rehab	294,077	122,954
Sleep center	806,807	152,945
South Beauregard health center	260,212	69,112
Urgent Care	568,556	-
Cath lab	3,229,886	2,981,015
Total Outpatient	<u>102,500,339</u>	<u>89,210,346</u>
TOTAL GROSS PATIENT SERVICE REVENUE	<u>\$ 171,753,501</u>	<u>\$ 151,257,422</u>

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Other Revenues
For the Years Ended October 31,

OTHER REVENUES	2014	2013
Cafeteria	\$ 245,432	\$ 202,330
EHR Incentive Payment	1,158,439	420,489
Medical records fees	1,135	10,689
Scrap sales	25	994
Vending machine	24,804	19,987
Rental income	237,369	58,258
Pharmacy sales to employees	175,438	185,510
Miscellaneous	(126)	73,411
Wellness income	48,389	38,601
TOTAL OTHER REVENUES	\$ 1,890,905	\$ 1,010,269

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedules of Expenses
For the Years Ended October 31,

	<u>2014</u>	<u>2013</u>
NURSING EXPENSES		
Nursing services	\$ 4,230,186	\$ 3,675,547
Medical and surgical supplies	256,377	302,826
Other nursing expense	155,340	354,316
Total Nursing Expenses	<u>4,641,903</u>	<u>4,332,689</u>
OTHER PROFESSIONAL SERVICE EXPENSES		
Special care unit	1,132,101	856,801
Nursery	546,721	444,142
Labor and delivery	822,050	697,036
Surgery	1,733,892	1,389,802
Recovery	241	4,484
Emergency	2,610,337	2,365,345
Anesthesia	749,301	684,836
Laboratory	2,689,095	1,864,533
Blood bank	266,887	279,065
Electrodiagnosis	28,797	12,925
EEG	5,194	8,884
Radiology	1,457,111	1,142,969
Nuclear medicine	343,159	251,758
Pharmacy	2,461,393	2,382,578
IV	173,506	171,279
Physical therapy	659,825	483,079
Respiratory therapy	781,958	591,463
Occupational therapy	170,151	220,706
Speech therapy	147,567	124,221
Medical records	818,920	629,594
Bio medical	-	83,364
Home health care	649,932	485,560
Cardiac Rehabilitation	53,647	41,505
Fitness management	75,532	74,530
Compliance	-	3,815
Sleep center	109,982	24,550
South Beauregard health center	351,689	182,528
Urgent Care	796,105	27,393
Cath Lab	776,441	865,843
Total Other Professional Service Expenses	<u>20,411,534</u>	<u>16,394,588</u>
GENERAL SERVICE EXPENSES		
Dietary	1,116,056	851,244
Engineering	1,338,347	1,204,362
Housekeeping	790,371	532,783
Laundry	278,079	188,149
Infection control	38,871	4,383
Coordinated Care	861,822	232,696
Security	8,080	44,509
Patient representatives	-	50,834
Registration	409,348	295,606
Total General Service Expenses	<u>\$ 4,840,974</u>	<u>\$ 3,404,566</u>

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedules of Expenses (Continued)
For the Years Ended October 31,

	2014	2013
FISCAL AND ADMINISTRATIVE EXPENSES		
Accounting	\$ 391,949	\$ 288,252
Data processing	1,277,528	1,079,722
Communications	292,596	295,272
Administrative	2,419,650	2,232,506
Auxiliary	111,195	169,109
Public relations	466,243	392,365
Materials management	528,989	318,250
Personnel	149,871	3,283,302
Insurance	410,085	374,967
Quality improvement	380,511	277,881
Beauregard Physicians Group administration expenses	86,925	63,381
Total Fiscal and Administrative Service Expenses	\$ 6,515,542	\$ 8,775,007

Hospital Service District #2 of Beauregard Parish

Schedule of Compensation, Benefits and Other Payments to Agency Head or Chief Executive Officer

Year Ended October 31, 2014

Agency Head Name: Robert Charron, CEO

Purpose	Amount
Salary	130,325
Benefits-insurance	9,553
Benefits-retirement	0
Benefits-<moving expense>	15,000
Car allowance	4,900
Vehicle provided by government	0
Per diem	0
Reimbursements	0
Travel	0
Registration fees	490
Conference travel	2,003
Continuing professional education fees	0
Housing	0
Unvouchered expenses*	0
Special meals	0
	0

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Commissioners
Hospital Service District No. 2 of
Beauregard Parish
DeRidder, Louisiana

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Hospital Service District No. 2 of Beauregard Parish, as of and for the year ended October 31, 2014, and the related notes to the financial statements, which collectively comprise the Hospital Service District No. 2 of Beauregard Parish's financial statements, and have issued my report thereon dated April 27, 2015.

Internal Control Over Financial Reporting

In planning and performing my audit of the financial statements, I considered Hospital Service District No. 2 of Beauregard Parish's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Hospital Service District No. 2 of Beauregard Parish's internal control. Accordingly, I do not express an opinion on the effectiveness of Hospital Service District No. 2 of Beauregard Parish's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

My consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during my audit I did not identify any deficiencies in internal control that I consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Commissioners
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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Hospital Service District No. 2 of Beauregard Parish's, financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my test disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Steven M. DeRouen & Associates

Lake Charles, Louisiana
April 27, 2015

HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Findings and Responses
For the Year Ended October 31, 2014

I have audited the financial statements of Hospital Service District #2 of Beauregard Parish of and for the year ended October 31, 2014, and have issued my report thereon dated April 27, 2015. I conducted my audit in accordance with U. S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. My audit of the financial statements as of October 31, 2014, resulted in an unmodified opinion.

Section I. Summary of Auditor's Reports

Report on Internal Control and Compliance Material to the Financial Statements

Internal Control

Significant Deficiencies Yes No Material Weaknesses Yes No

Compliance

Compliance Material to Financial Statements Yes No

**HOSPITAL SERVICE DISTRICT #2 OF BEAUREGARD PARISH
DeRidder, Louisiana
Schedule of Prior Year Findings
For the Year Ended October 31, 2013**

Section II. Findings

None reported.